

April 1, 2004

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Dear Officials of Federal Bank and Thrift Agencies:

Westchester Residential Opportunities, Inc (WRO) urges you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. CRA has helped the nation's minority, immigrant, and low- and moderate-income communities in increasing homeownership and economic development, and we do not want to see those community reinvestment gains halted. Each year WRO assists over 200 low-income households in becoming homebuyer ready through financial and homebuyer education, and linkages to Individual Development Accounts and other sources of down payment assistance. We need the lenders to be there for our clients when they begin their searches for prime, affordable mortgage products. The proposed CRA changes will not promote this goal. Instead, the proposed CRA changes would facilitate predatory lending and reduce the ability of the general public to hold financial institutions accountable for compliance with consumer protection laws.

At WRO we are particularly concerned about the proposed new anti-predatory screen. The proposed standard states that loans based on the foreclosure value of the collateral, instead of the ability of the borrower to repay, can result in downgrades in CRA ratings. In our county, particularly in the cities of Yonkers and Mt. Vernon, this revised standard would not cover many instances of predatory lending. Borrowers may be meeting monthly payments that are sub-prime and predatory, unfortunately at the expense of other household needs. Consumers may still lose wealth as a result of a lender's excessive fees or unnecessary products.

We are concerned, too, that an anti-predatory standard apply to all loans made by the bank and all of its affiliates, not just real-estate secured loans issued by the bank in its "assessment area". Since so many lenders reach into communities from afar by Internet, late night TV ads, and direct mail appeals vulnerable borrowers may be purchasing products that fall below the CRA radar because they are outside of "assessment areas".

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The proposed changes to CRA will directly undercut the Administration's emphasis on minority homeownership and immigrant access to jobs and banking services. The proposals regarding streamlined exams and the anti-predatory lending standard threaten CRA's statutory purpose of the safe and sound provision of credit and deposit services. CRA helps capitalism work for all Americans. CRA is too vital to be gutted by harmful regulatory changes and neglect. Thank you for your attention to this critical matter.

Sincerely,

Toni Downes, ACSW
Executive Director

cc: National Community Reinvestment Coalition